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S E C R E T SECTION 01 OF 03 RIYADH 000947

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FOR GENERAL PETRAEUS FROM AMBASSADOR ERDMAN

E.O. 12958: DECL: 07/18/2019
TAGS: MARR MASS PREL PINR OVIP SA
SUBJECT: SCENESETTER FOR CENTCOM COMMANDER PETRAEUS' JULY
21-22 VISIT TO SAUDI ARABIA

Classified By: CDA Amb. Richard Erdman for reasons 1.4 (b) and (d)

¶1. (C) General Petraeus, Embassy Riyadh warmly welcomes you back to the Kingdom. Since your last visit just after the U.S. presidential election we have heard Saudi officials from King Abdullah on down expressing hope and expectation that we are moving toward a more consultative and productive partnership. While not producing the deliverables we had hoped for on Middle East peace issues, the President's June 3-4 trip to Riyadh established a warm personal chemistry at the highest level, thereby reinforcing this positive mood. However, among Saudi officials there remains a degree of skepticism and fatigue from years of feeling undervalued and dismissed by the U.S. on regional issues that directly affected their security. For example, they see our action in Iraq against their advice as having spurred terrorist activity and strengthened their arch adversary Iran.

¶2. (C) In this context your visit is especially important: the King and other Saudi leaders hold you in high regard as an interlocutor who listens and whose words they can trust. Your visit follows by a few days Treasury Secretary Geithner's visit and meetings with the King, which fostered broad agreement on economic recovery strategy, the need to control debt and inflation, and our mutual interest in preserving the dollar as a reserve currency and the riyal-dollar peg. Less positively, you should also be aware that the Saudis discouraged a visit this week by another senior U.S. official. During your meetings we expect the King will want to discuss or hear your views on the issues below.

SECURING MIDDLE EAST PEACE

¶3. (C) King Abdullah continues to focus on what the U.S. is prepared to do to solve his top regional security priorities - realization of a two-state solution in the Middle East and convincing Iran to comply with its international nuclear obligations. The King appreciates the President's commitment to Middle East peace but is skeptical the U.S. can bring sufficient and sustained pressure to bear on Israel, especially regarding settlements. Viewing the Saudi-sponsored Arab Peace Initiative as a &take it or leave it& offer, he has rebuffed arguments from U.S. officials, including the President, that confidence-building measures from both sides are required in order to create a positive climate for the early resumption of negotiations.

¶4. (C) At the same time, the Saudis indicated they will not

stand in the way of other Arab states who wish to make normalization gestures. While the Saudis support the Palestinian Authority (PA) to the tune of \$7-8 million per month, we would like to see them do more, given the dire budgetary situation the PA faces and the opportunity this gives Iran to exploit Hamas and the Israeli-Palestinian issue for its own purposes. While historically the Palestinians, single largest Arab donor, Saudi Arabia justifies delays in financial support with discredited arguments about corruption. We recommend you maintain a listening mode on this sensitive issue, while stressing the President's commitment to promoting Middle East peace and working with our partners in the region to this end.

DEEP CONCERN ABOUT IRAN

¶ 15. (S) On Iran, the Saudis see a dangerous Shia power bent on destabilizing the region, from Lebanon to Iraq to Bahrain to Yemen. While somewhat mollified by our reassurances, they remain concerned that we might be prepared to accept an enhanced role for Iran in the region in exchange for concessions on its nuclear program. In this regard, the King is convinced that engagement with Tehran will not succeed. He wants to hear that our effort to engage Iran will be results-driven and not open-ended. The Saudis have viewed the Iranian election with grim satisfaction, hoping that the more Iran is forced to focus on its internal problems, the less it will find time to meddle in regional affairs. The King will be interested to hear your assessment of the situation, in particular what we are doing to bolster Gulf

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defenses vis a vis Iran.

GRUDGING HELP IN AF/PAK

¶ 16. (S) The King told Geithner that the situations in Afghanistan and Pakistan "have hurt us." Ambassador Holbrooke has been actively urging closer coordination between the U.S. and Saudi Arabia. Since pledging \$700 million to Pakistan in April, the Saudis have shown little interest in coordinating assistance with the U.S. Moreover, the pledge, which has yet to be fully obligated, has been heavily conditioned. In response to a United Nations request for humanitarian assistance to Pakistani internal refugees, Saudi Arabia made unilateral donations but did not contribute to international efforts. The Saudis, close ties to opposition leader Nawaz Sharif may provide a useful lever to encourage political reconciliation between Sharif and his rival, Pakistani President Zardari; however, these same ties to Sharif complicate the Saudis' relationship with Zardari, whom they do not like or trust.

¶ 17. (S) Although it has not been the case in the past, the Saudi government is now energetically going after Al-Qaeda fundraising inside the Kingdom. Nonetheless, Saudi-based financiers and small donors remain an important source of funding for extremist groups globally. Saudi officials have bristled at USG pressure to do more to combat Taliban financing, believing they are doing what they can, based on available information. They have committed to "100 percent cooperation" when there is actionable intelligence on terrorist financing. The Saudis have also sought a role in brokering top-level reconciliation between the Taliban and the Government of Afghanistan, but to date no real progress has resulted from their mediation.

IRAQ: IRANIAN TROJAN HORSE?

¶ 18. (S/NF) The Saudi leadership has been largely impervious to our entreaties to expand relations with Iraq. If anything, they have been more unreserved with us of late about their conviction that Al-Maliki is an Iranian puppet. Last week

when I suggested to one of the King's advisors that Saudi Arabia should look beyond personalities and do more to help build Iraq's links to Arab regional institutions, the response was that doing so would be like bringing an Iranian Trojan horse inside Arab walls. We continue to press the matter of sending an ambassador to Baghdad but to date to no avail; the Saudis seem to have stepped back from their previous assurances that this would happen soon. The King will likely ask for your analysis of the security situation now that U.S. troops have redeployed from the cities. Your meeting will also be an opportunity to remind the King that constructive outreach from Iraq's Arab neighbors is the best approach to draw Iraq further away from Iranian influence.

YEMEN: NO EASY ANSWERS

¶ 9. (S) Saudi Arabia continues to mobilize against the growing Al-Qaeda threat in Yemen as well as against smuggling, refugee, and criminal problems that flow across the border. Saudi officials recognize that their efforts to address these problems with economic assistance and security cooperation with the Yemeni government are routinely compromised by corruption, President Saleh's diminishing control over Yemeni tribes, and secessionist pressure in the south. They are concerned that Saleh does not fully appreciate the dimensions of the problems he faces, and would like to see sustained U.S. efforts to support the government and prevent a power vacuum that Al-Qaeda could exploit. A billion dollar project is underway to construct a border fence that should substantially reduce illegal border crossing in the open desert area but may only marginally reduce crossing in the rugged western mountain terrain.

¶ 10. (S/NF) The rebellious Al-Houthi are also a growing concern. Senior advisors of the King are convinced that Iran is working with the Al-Houthi in order to destabilize Yemen.

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Our analysts are not so sure: while it appears that the Al-Houthi have adopted new tactics in their clashes with Yemeni government forces, we have not yet seen compelling evidence tracing this to Iranian training or assistance.

CRITICAL INFRASTRUCTURE PROGRAM MOVING FORWARD

¶ 11. (S) The King has made clear that the U.S. must be Saudi Arabia's strategic partner for protection of its critical infrastructure. As you know, we are now trying to stand up the program but are limited in what we can do, pending the transfer of Saudi funds. The Saudis assure us the funds will be forthcoming soon, but we have been hearing this for several weeks. That said, we and they are firmly committed to the OPM-MOI program, and we are confident the funding issue will be sorted out. While the critical infrastructure protection program is a Ministry of Interior - run program, your personal expression of strong support for the 35,000-man Facilities Security Force (FSF) currently being trained and stood up will be welcome.

FMS: IMPORTANT DEALS ON HOLD

¶ 12. (S/NF) The King raised the topic of arms sales, in a somewhat backhanded way, when he met with Dennis Ross last April. After listening to an extended appeal for Saudi assistance and diplomatic support on a range of issues, the King retorted that if the U.S. considers Saudi Arabia to be such an important and influential partner, then why won't the U.S. sell Saudi Arabia the military systems it needs to protect itself? The remark is a reminder of bruised feelings across the Saudi leadership that the U.S. has not been treating Saudi Arabia as a full and trusted partner. It is also a reminder that frustration with releasability

restrictions is alive and well and reaches to the very top. This could come up in your meeting with the King.

¶13. (S) Key pending FMS programs include the Naval Expansion Program, new F-15s and C-130 aircraft, Patriot missiles and upgrading the Air Force's command and control system. Saudi Naval Commander Admiral Fahd recently appealed to Admiral Gortney for a letter from President Obama to King Abdullah in order to move this project forward. On the F-15s, defense contractors tell us that KBS needs stronger assurances that the U.S. will provide the fully capable aircraft that the Air Force wants. The Saudis have indicated their minimum requirement is the Singapore configuration, and want to avoid the embarrassment of making a formal request, only to have it turned down (because of qualitative edge commitments). We understand that a letter from the Secretary of Defense to Prince Sultan may be in the works.

¶14. (S) On FMS, we may be approaching a crossroads. If the pending U.S. deals go through, that would reaffirm our primacy as the Saudi military partner. However, if we see major deals going to European, Chinese, or Russian firms, that could portend a coming attenuation of our historically broad and close interaction with the Saudi military. Your meeting with KBS will be a timely opportunity to discuss his modernization priorities and to assure him of our continuing commitment to bolster Saudi Arabia's defensive capabilities.
ERDMAN